

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00

 DOTE-00 INR-05 NSAE-00 RSC-01 FAA-00 L-02 /024 W

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R 051650Z DEC 74

FM AMEMBASSY LA PAZ

TO SECSTATE WASHDC 4998

INFO AMEMBASSY LIMA

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E.O. 11652: N/A

TAGS: EAIR, BL

SUBJ: CIVAIR - BRANIFF'S TAX PROBLEM

REF: LA PAZ 7696

1. AFTER RECENT VISIT BRANIFF'S REGIONAL VICE PRESIDENT (SEE REFTEL) LOCAL MANAGER APPROACHED EMBASSY WITH ADDITIONAL PROBLEM WHICH MAY AFFECT OPERATING PERMIT HEARING WHICH BEGINS DECEMBER 10.
2. BY SUPREME DECREE 10702 DATE JANUARY 28, 1973, GOB LEVIED 6,000 PESO TAX ON MAIN OFFICES OF EACH AIRLINE AND 20 PESO TAX ON EACH INTER-NATIONAL TICKET SOLD BY "FOREIGN AIRLINES" TO SUPPORT BOLIVIAN TOURIST INSTITUTE. CARRIERS INITIALLY MADE JOINT REPRESENTATION TO MINISTRY OF INDUSTRY AND COMMERCE CLAIMING DISCRIMINATION SINCE STATE-OWNED LLOYD AEREO BOLIVIANO (LAB), BOLIVIA'S ONE AIRLINE, FLYING INTER-NATIONALLY, DOES NOT HAVE TO PAY. LUFTHANSA NOW PAYING WHILE OTHER AIRLINES LIKE BRANIFF ARE ACCUMULATING FUNDS AND REFUSING TO PAY UNTIL DISCRIMINATION ENDS.
3. BRANIFF MANAGER STATES THAT COMPANY WILLING TO PAY BUT ITS LOCAL LAWYER ADVISES THAT PAYMENT WOULD BE CONTRARY TO 1858 U.S. BOLIVIAN FREE TRADE TREATY. BRANIFF WIRING DALLAS OFFICE FOR INSTURCTIONS, SINCE TOURIST INSTITUTE

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HAS APPARENTLY FILE PROTEST OPPOSING ISSUANCE OPERATING

PERMIT UNTI BRANIFF PAYS TAX.

4. EMBASSY MADE INFORMAL INQUIRY WITH UNDERSECRETARY OF INDUSTRY. HE CLAIMED BRANIFF NOT ONLY WITHHOLDING PAYMENT ON 20 PESO TAX BUT ALSO EARLIER 12 PESO LEVY INTENDED TO SUPPORT SPORTS ACTIVITIES. HE ALSO SAID THAT LAB PAYS TAXES UNDER DECREE FOR ITS MANY BRANCH OFFICES (10 OFFICES TIMES 6,000 PESOS OR 60,000 PESOS ANNUALLY) AND THUS THERE IS NO DISCRIMINATION BECAUSE LAB PAYS AMOUNT EQUIVALENT TO 20 PESO TAX. HE STATED THAT HE HAS INDICATED TO BRANIFF HIS WILLINGNESS TO SETTLE MATTER BY DISALLOWING 12 PESO TAX IN EXCHANGE FOR IMMEDIATE PAYMENT OF 20 PESO TAX RETROACTIVELY TO FEBRUARY, 1973.

5. BRANIFF BUILT UP 192,210 PESO RESERVE FOR FIRST YEAR OF TAX AND 161,645 PESOS FROM FEBRUARY THROUGH OCTOBER OF THIS YEAR. IN CONTRAST TO UNDERSECRETARY'S STATEMENT, WE READ DECREE TO CHARGE ONLY 1,800 PESOS FOR BRANCH OFFICES, INDICATING THAT AT MOST LAB WOULD PAY 22,200 PESOS EACH YEAR.
STEDMAN

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